

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

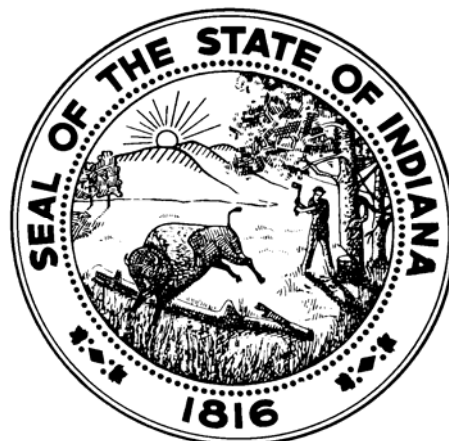
AUDIT REPORT

OF

TOWN OF BROOKSTON

WHITE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
06/19/2007



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ginger E. Brown	01-01-04 to 12-31-07
President of the Town Council	Joseph E. Butz	01-01-05 to 12-31-07
Superintendent of Utilities	Max Eldridge	01-01-05 to 12-31-07



**STATE OF INDIANA**  
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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookston (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 22, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedule of Funding Progress as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 22, 2007



# STATE OF INDIANA

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

We have audited the financial statements of the Town of Brookston (Town), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated May 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe none of the reportable conditions described above is a material weakness.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 22, 2007



TOWN OF BROOKSTON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 425,517	\$ 27,372	\$ -	\$ (398,145)	\$ -	\$ (398,145)
Public safety	400	687	-	287	-	287
Highways and streets	119,353	-	-	(119,353)	-	(119,353)
Sanitation	22,901	-	-	(22,901)	-	(22,901)
Economic development	20,000	-	-	(20,000)	-	(20,000)
Culture and recreation	10,000	-	-	(10,000)	-	(10,000)
Capital outlay	504,820	-	501,857	(2,963)	-	(2,963)
Total governmental activities	1,102,991	28,059	501,857	(573,075)	-	(573,075)
Business-type activities:						
Water	254,774	237,085	-	-	(17,689)	(17,689)
Wastewater	2,461,101	269,380	-	-	(2,191,721)	(2,191,721)
Electric	840,548	744,949	-	-	(95,599)	(95,599)
Total business-type activities	3,556,423	1,251,414	-	-	(2,305,009)	(2,305,009)
Total primary government	\$ 4,659,414	\$ 1,279,473	\$ 501,857	(573,075)	(2,305,009)	(2,878,084)
General receipts:						
Property taxes				169,246	-	169,246
Other local sources				21,121	-	21,121
Bonds and loans				-	2,256,203	2,256,203
Grants and contributions not restricted to specific programs				166,733	-	166,733
Unrestricted investment earnings				3,700	13,101	16,801
Transfers				216,550	(216,550)	-
Total general receipts and transfers				577,350	2,052,754	2,630,104
Change in net assets				4,275	(252,255)	(247,980)
Net assets - beginning				557,064	1,673,502	2,230,566
Net assets - ending				\$ 561,339	\$ 1,421,247	\$ 1,982,586
<u>Assets</u>						
Cash and investments				\$ 234,261	\$ 867,406	\$ 1,101,667
Restricted assets:						
Cash and investments				327,078	553,841	880,919
Total assets				\$ 561,339	\$ 1,421,247	\$ 1,982,586
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 3,150	\$ -	\$ 3,150
Debt service				-	302,266	302,266
Other purposes				323,928	251,575	575,503
Unrestricted				234,261	867,406	1,101,667
Total net assets				\$ 561,339	\$ 1,421,247	\$ 1,982,586

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	CDBG Sewage	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 344,626	\$ 45,793	\$ -	\$ 16,498	\$ 406,917
Licenses and permits	687	-	-	-	687
Intergovernmental	66,083	58,693	490,000	49,784	664,560
Charges for services	17,224	-	-	9,800	27,024
Fines and forfeits	130	-	-	218	348
Other	3,641	553	-	2,401	6,595
Total receipts	432,391	105,039	490,000	78,701	1,106,131
Disbursements:					
General government	424,671	-	-	846	425,517
Public safety	-	-	-	400	400
Highways and streets	-	109,353	-	10,000	119,353
Sanitation	-	-	-	22,901	22,901
Culture and recreation	-	-	-	10,000	10,000
Urban redevelopment and housing	-	-	-	20,000	20,000
Capital outlay:					
Highways, streets, equipment and other	-	-	490,000	14,820	504,820
Total disbursements	424,671	109,353	490,000	78,967	1,102,991
Excess (deficiency) of revenue over (under) disbursements	7,720	(4,314)	-	(266)	3,140
Other financing sources:					
Other receipts	-	-	-	1,135	1,135
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,720	(4,314)	-	869	4,275
Cash and investment fund balance - beginning	226,541	71,516	-	259,007	557,064
Cash and investment fund balance - ending	<u>\$ 234,261</u>	<u>\$ 67,202</u>	<u>\$ -</u>	<u>\$ 259,876</u>	<u>561,339</u>
Net assets of governmental activities					<u>\$ 561,339</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 234,261	\$ -	\$ -	\$ -	\$ 234,261
Restricted assets:					
Cash and investments	-	67,202	-	259,876	327,078
Total cash and investment assets - December 31	<u>\$ 234,261</u>	<u>\$ 67,202</u>	<u>\$ -</u>	<u>\$ 259,876</u>	<u>\$ 561,339</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 3,150	\$ 3,150
Other purposes	-	67,202	-	256,726	323,928
Unrestricted	234,261	-	-	-	234,261
Total cash and investment fund balance - December 31	<u>\$ 234,261</u>	<u>\$ 67,202</u>	<u>\$ -</u>	<u>\$ 259,876</u>	<u>\$ 561,339</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Electric Utility	Total
Operating receipts:				
Metered revenue:				
Residential and commercial	\$ 207,949	\$ 262,650	\$ 721,911	\$ 1,192,510
Fire protection receipts	21,800	-	-	21,800
Penalties	1,866	6,287	4,931	13,084
Other	5,470	443	11,560	17,473
Total operating receipts	<u>237,085</u>	<u>269,380</u>	<u>738,402</u>	<u>1,244,867</u>
Operating disbursements:				
Equipment and capital improvements	18,650	2,259,804	37,643	2,316,097
Operations and maintenance	39,517	-	19,362	58,879
Other	20,092	18,090	56,513	94,695
Salaries and wages	41,531	43,144	45,376	130,051
Employee pensions and benefits	10,810	10,809	10,810	32,429
Purchased power	14,892	10,632	637,969	663,493
Chemicals	1,423	2,717	-	4,140
Material and supplies	18,681	19,117	25,419	63,217
Contractual services	3,989	2,883	793	7,665
Insurance disbursements	5,536	4,884	6,663	17,083
Total operating disbursements	<u>175,121</u>	<u>2,372,080</u>	<u>840,548</u>	<u>3,387,749</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>61,964</u>	<u>(2,102,700)</u>	<u>(102,146)</u>	<u>(2,142,882)</u>
Nonoperating receipts (disbursements):				
Bond proceeds	-	2,256,203	-	2,256,203
Interest and investment receipts	4,245	2,067	6,789	13,101
Miscellaneous receipts	-	-	6,547	6,547
Debt service of principal	(50,000)	(74,386)	-	(124,386)
Interest and investment disbursement	(29,653)	(14,635)	-	(44,288)
Total nonoperating receipts (disbursements)	<u>(75,408)</u>	<u>2,169,249</u>	<u>13,336</u>	<u>2,107,177</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(13,444)</u>	<u>66,549</u>	<u>(88,810)</u>	<u>(35,705)</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(216,550)</u>	<u>(216,550)</u>
Excess (deficiency) of receipts and contributions over (under) disbursements	<u>(13,444)</u>	<u>66,549</u>	<u>(305,360)</u>	<u>(252,255)</u>
Cash and investment fund balance - beginning	<u>554,635</u>	<u>182,078</u>	<u>936,789</u>	<u>1,673,502</u>
Cash and investment fund balance - ending	<u>\$ 541,191</u>	<u>\$ 248,627</u>	<u>\$ 631,429</u>	<u>\$ 1,421,247</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 165,219	\$ 204,331	\$ 497,656	\$ 867,206
Restricted assets:				
Cash and investments	<u>375,972</u>	<u>44,296</u>	<u>133,773</u>	<u>554,041</u>
Total cash and investment assets - December 31	<u>\$ 541,191</u>	<u>\$ 248,627</u>	<u>\$ 631,429</u>	<u>\$ 1,421,247</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 140,228	\$ 34,265	\$ 53,751	\$ 228,244
Other purposes	235,744	10,031	79,822	325,597
Unrestricted	<u>165,219</u>	<u>204,331</u>	<u>497,856</u>	<u>867,406</u>
Total cash and investment fund balance - December 31	<u>\$ 541,191</u>	<u>\$ 248,627</u>	<u>\$ 631,429</u>	<u>\$ 1,421,247</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND  
INVESTMENT BALANCES - FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	<u>Agency Funds</u>
Additions:	
Agency fund additions	<u>\$ 103,763</u>
Deductions:	
Agency fund deductions	<u>107,338</u>
Deficiency of total additions under total deductions	(3,575)
Cash and investment fund balance - beginning	<u>6,125</u>
Cash and investment fund balance - ending	<u><u>\$ 2,550</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 279,905	\$ 10,626	\$ -	\$ (269,279)	\$ -	\$ (269,279)
Public safety	435	340	-	(95)	-	(95)
Highways and streets	132,459	-	-	(132,459)	-	(132,459)
Sanitation	15,000	-	-	(15,000)	-	(15,000)
Culture and recreation	24,530	-	17,914	(6,616)	-	(6,616)
Total governmental activities	452,329	10,966	17,914	(423,449)	-	(423,449)
Business-type activities:						
Water	290,737	220,629	-	-	(70,108)	(70,108)
Wastewater	363,827	327,765	-	-	(36,062)	(36,062)
Electric	864,738	736,779	-	-	(127,959)	(127,959)
Total business-type activities	1,519,302	1,285,173	-	-	(234,129)	(234,129)
Total primary government	\$ 1,971,631	\$ 1,296,139	\$ 17,914	(423,449)	(234,129)	(657,578)
General receipts:						
Property taxes				173,390	-	173,390
Other local sources				23,506	-	23,506
Grants and contributions not restricted to specific programs				179,878	-	179,878
Unrestricted investment earnings				6,204	15,823	22,027
Total general receipts				382,978	15,823	398,801
Change in net assets				(40,471)	(218,306)	(258,777)
Net assets - beginning				561,339	1,421,247	1,982,586
Net assets - ending				\$ 520,868	\$ 1,202,941	\$ 1,723,809
<u>Assets</u>						
Cash and investments				\$ 202,164	\$ 623,487	\$ 825,651
Restricted assets:						
Cash and investments				318,704	579,454	898,158
Total assets				\$ 520,868	\$ 1,202,941	\$ 1,723,809
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 3,170	\$ -	\$ 3,170
Debt service				-	354,550	354,550
Other purposes				315,534	225,104	540,638
Unrestricted				202,164	623,287	825,451
Total net assets				\$ 520,868	\$ 1,202,941	\$ 1,723,809

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 132,374	\$ 46,093	\$ 18,429	\$ 196,896
Licenses and permits	340	-	-	340
Intergovernmental	73,762	69,442	53,969	197,173
Charges for services	6,787	-	3,400	10,187
Fines and forfeits	30	-	409	439
Other	4,480	-	2,343	6,823
Total receipts	217,773	115,535	78,550	411,858
Disbursements:				
General government	249,870	-	30,035	279,905
Public safety	-	-	435	435
Highways and streets	-	112,459	20,000	132,459
Sanitation	-	-	15,000	15,000
Culture and recreation	-	-	24,530	24,530
Total disbursements	249,870	112,459	90,000	452,329
Excess (deficiency) of revenue over (under) disbursements	(32,097)	3,076	(11,450)	(40,471)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,097)	3,076	(11,450)	(40,471)
Cash and investment fund balance - beginning	234,261	67,202	259,876	561,339
Cash and investment fund balance - ending	<u>\$ 202,164</u>	<u>\$ 70,278</u>	<u>\$ 248,426</u>	<u>520,868</u>
Net assets of governmental activities				<u>\$ 520,868</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 202,164	\$ -	\$ -	\$ 202,164
Restricted assets:				
Cash and investments	-	70,278	248,426	318,704
Total cash and investment assets - December 31	<u>\$ 202,164</u>	<u>\$ 70,278</u>	<u>\$ 248,426</u>	<u>\$ 520,868</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 3,170	\$ 3,170
Other purposes	-	70,278	245,256	315,534
Unrestricted	202,164	-	-	202,164
Total cash and investment fund balance - December 31	<u>\$ 202,164</u>	<u>\$ 70,278</u>	<u>\$ 248,426</u>	<u>\$ 520,868</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Electric Utility	Total
Operating receipts:				
Metered revenue:				
Residential and commercial	\$ 198,979	\$ 270,971	\$ 714,996	\$ 1,184,946
Fire protection receipts	6,710	-	-	6,710
Penalties	2,017	7,876	5,437	15,330
Other	12,923	41,418	9,796	64,137
Total operating receipts	<u>220,629</u>	<u>320,265</u>	<u>730,229</u>	<u>1,271,123</u>
Operating disbursements:				
Equipment and capital improvements	69,438	10,453	-	79,891
Operations and maintenance	-	14,485	27,641	42,126
Other	36,248	43,858	60,667	140,773
Salaries and wages	46,489	46,197	49,976	142,662
Employee pensions and benefits	12,343	12,344	12,343	37,030
Purchased power	14,277	15,187	671,632	701,096
Chemicals	2,278	1,790	-	4,068
Material and supplies	19,221	23,061	30,647	72,929
Contractual services	7,572	6,040	4,517	18,129
Insurance disbursements	5,768	8,113	7,315	21,196
Total operating disbursements	<u>213,634</u>	<u>181,528</u>	<u>864,738</u>	<u>1,259,900</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>6,995</u>	<u>138,737</u>	<u>(134,509)</u>	<u>11,223</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	5,514	3,180	7,129	15,823
Miscellaneous receipts	-	7,500	6,550	14,050
Debt service of principal	(50,000)	(121,000)	-	(171,000)
Interest and investment disbursement	(27,103)	(61,299)	-	(88,402)
Total nonoperating receipts (disbursements)	<u>(71,589)</u>	<u>(171,619)</u>	<u>13,679</u>	<u>(229,529)</u>
Deficiency of receipts over disbursements and nonoperating disbursements	<u>(64,594)</u>	<u>(32,882)</u>	<u>(120,830)</u>	<u>(218,306)</u>
Cash and investment fund balance - beginning	<u>541,191</u>	<u>248,627</u>	<u>631,429</u>	<u>1,421,247</u>
Cash and investment fund balance - ending	<u>\$ 476,597</u>	<u>\$ 215,745</u>	<u>\$ 510,599</u>	<u>\$ 1,202,941</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 136,070	\$ 120,959	\$ 366,458	\$ 623,487
Restricted assets:				
Cash and investments	<u>340,527</u>	<u>94,786</u>	<u>144,141</u>	<u>579,454</u>
Total cash and investment assets - December 31	<u>\$ 476,597</u>	<u>\$ 215,745</u>	<u>\$ 510,599</u>	<u>\$ 1,202,941</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 216,434	\$ 75,815	\$ 62,301	\$ 354,550
Other purposes	124,093	18,971	81,840	224,904
Unrestricted	<u>136,070</u>	<u>120,959</u>	<u>366,458</u>	<u>623,487</u>
Total cash and investment fund balance - December 31	<u>\$ 476,597</u>	<u>\$ 215,745</u>	<u>\$ 510,599</u>	<u>\$ 1,202,941</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BROOKSTON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND  
INVESTMENT BALANCES - FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Agency Funds</u>
Additions:	
Agency fund additions	<u>\$ 107,356</u>
Deductions:	
Agency fund deductions	<u>107,107</u>
Excess of total additions over total deductions	249
Cash and investment fund balance - beginning	<u>2,550</u>
Cash and investment fund balance - ending	<u><u>\$ 2,799</u></u>

The notes to the financial statements are an integral part of this statement.



TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Brookston

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used to maintain the streets of the Town.

The CDBG sewage fund is used to account for the activity related to a community development block grant obtained by the Town.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for others and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

### III. Detailed Notes on All Funds

#### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

### IV. Other Information

#### A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

#### Workers Compensation Insurance

During 1992, the Town joined with other governmental entities in the Indiana Public Employees' Plan (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of group workers compensation insurance plans for the benefit of the members' employees. The Town pays an annual premium to the risk pool for its workers compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Subsequent Events

The Water Utility is starting a water improvement project in 2007 with an estimated cost of \$2,201,000. The project will consist of a new treatment facility as well as the construction of water lines. Funding for the project will be provided by a \$500,000 Community Focus Grant and the remainder being financed with a State Revolving Loan.

C. Rate Structure – Enterprise Funds

Water Utility

On August 8, 1983, the Town Council adopted Ordinance No. 5-1983 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on March 28, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on March 24, 2004.

Electric Utility

On August 8, 1983, the Town Council adopted Ordinance No. 5-1983 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 27, 1987.

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 12,998
Interest on net pension obligation	121
Adjustment to annual required contribution	<u>(138)</u>
Annual pension cost	12,981
Contributions made	<u>17,801</u>
Decrease in net pension obligation	(4,820)
Net pension obligation, beginning of year	<u>1,665</u>
Net pension obligation, end of year	<u><u>\$ (3,155)</u></u>
Contribution rates:	
Town	8.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

TOWN OF BROOKSTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 13,523	63%	\$ 5,384
	06-30-04	11,051	134%	1,665
	06-30-05	12,981	161%	(3,155)



TOWN OF BROOKSTON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund							Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)		
07-01-03	\$ 218,862	\$ 286,959	\$ (68,097)	76%	\$ 132,916		(51%)
07-01-04	224,933	312,408	(87,475)	72%	136,118		(64%)
07-01-05	239,040	391,166	(152,126)	61%	176,007		(86%)

TOWN OF BROOKSTON  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	Local Road and Street	Wood and South Street	Riverboat	Rainy Day	Bicentennial Donation	Centurytel Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,100	-	10,827	-	-	-
Charges for services	-	9,800	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	1,492	-	-	4	846
Total receipts	7,100	11,292	10,827	-	4	846
Disbursements:						
General government	-	-	-	-	-	846
Public safety	-	-	-	-	-	-
Highways and streets	10,000	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	10,000	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay:						
Highways, streets and other capital outlay	-	-	-	-	-	-
Total disbursements	10,000	-	10,000	-	-	846
Excess (deficiency) of receipts over (under) disbursements	(2,900)	11,292	827	-	4	-
Other financing sources						
Other receipts	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,900)	11,292	827	-	4	-
Cash and investment fund balance - beginning	10,485	163,928	11,684	26,295	503	-
Cash and investment fund balance - ending	<u>\$ 7,585</u>	<u>\$ 175,220</u>	<u>\$ 12,511</u>	<u>\$ 26,295</u>	<u>\$ 507</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	7,585	175,220	12,511	26,295	507	-
Total cash and investment assets - December 31	<u>\$ 7,585</u>	<u>\$ 175,220</u>	<u>\$ 12,511</u>	<u>\$ 26,295</u>	<u>\$ 507</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	7,585	175,220	12,511	26,295	507	-
Total cash and investment fund balance - December 31	<u>\$ 7,585</u>	<u>\$ 175,220</u>	<u>\$ 12,511</u>	<u>\$ 26,295</u>	<u>\$ 507</u>	<u>\$ -</u>

TOWN OF BROOKSTON  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005  
(Continued)

	Local Law Enforcement Continuing Education	Park	Cumulative Capital Improvement	Development Guide	County Economic Development Income Tax
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 16,498
Intergovernmental	-	-	5,307	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	218	-	-	-	-
Other	-	-	-	-	-
Total receipts	218	-	5,307	-	16,498
Disbursements:					
General government	-	-	-	-	-
Public safety	400	-	-	-	-
Highways and streets	-	-	-	-	-
Sanitation	-	-	-	-	22,901
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Capital outlay:					
Highways, streets and other capital outlay	-	-	8,270	-	-
Total disbursements	400	-	8,270	-	22,901
Excess (deficiency) of receipts over (under) disbursements	(182)	-	(2,963)	-	(6,403)
Other financing sources					
Other receipts	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(182)	-	(2,963)	-	(6,403)
Cash and investment fund balance - beginning	1,086	3,150	16,397	1,100	17,885
Cash and investment fund balance - ending	\$ 904	\$ 3,150	\$ 13,434	\$ 1,100	\$ 11,482
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	\$ 904	\$ 3,150	\$ 13,434	\$ 1,100	\$ 11,482
Total cash and investment assets - December 31	\$ 904	\$ 3,150	\$ 13,434	\$ 1,100	\$ 11,482
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ 3,150	\$ -	\$ -	\$ -
Other purposes	904	-	13,434	1,100	11,482
Total cash and investment fund balance - December 31	\$ 904	\$ 3,150	\$ 13,434	\$ 1,100	\$ 11,482

TOWN OF BROOKSTON  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005  
(Continued)

	Leaf Vac Grant	Indiana Housing Grant	Levy Excess	Community Van Gift	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 16,498
Intergovernmental	6,550	20,000	-	-	49,784
Charges for services	-	-	-	-	9,800
Fines and forfeits	-	-	-	-	218
Other	-	-	-	59	2,401
Total receipts	6,550	20,000	-	59	78,701
Disbursements:					
General government	-	-	-	-	846
Public safety	-	-	-	-	400
Highways and streets	-	-	-	-	10,000
Sanitation	-	-	-	-	22,901
Culture and recreation	-	-	-	-	10,000
Urban redevelopment and housing	-	20,000	-	-	20,000
Capital outlay:					
Highways, streets and other capital outlay	6,550	-	-	-	14,820
Total disbursements	6,550	20,000	-	-	78,967
Excess (deficiency) of receipts over (under) disbursements	-	-	-	59	(266)
Other financing sources					
Other receipts	-	-	335	800	1,135
Total other financing sources	-	-	335	800	1,135
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	-	335	859	869
Cash and investment fund balance - beginning	-	-	-	6,494	259,007
Cash and investment fund balance - ending	\$ -	\$ -	\$ 335	\$ 7,353	\$ 259,876
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	\$ -	\$ -	\$ 335	\$ 7,353	\$ 259,876
Total cash and investment assets - December 31	\$ -	\$ -	\$ 335	\$ 7,353	\$ 259,876
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 3,150
Other purposes	-	-	335	7,353	256,726
Total cash and investment fund balance - December 31	\$ -	\$ -	\$ 335	\$ 7,353	\$ 259,876

TOWN OF BROOKSTON  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Local Road and Street	Wood and South Street	Riverboat	Rainy Day	Bicentennial Donation
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,830	-	10,805	-	-
Charges for services	-	3,400	-	-	-
Fines and forfeits	-	-	-	-	-
Other	-	2,224	-	-	7
Total receipts	6,830	5,624	10,805	-	7
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	10,000	-	-	10,000	-
Sanitation	-	-	-	-	-
Culture and recreation	-	-	10,000	-	-
Total disbursements	10,000	-	10,000	10,000	-
Excess (deficiency) of receipts over (under) disbursements	(3,170)	5,624	805	(10,000)	7
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,170)	5,624	805	(10,000)	7
Cash and investment fund balance - beginning	7,585	175,220	12,511	26,295	507
Cash and investment fund balance - ending	<u>\$ 4,415</u>	<u>\$ 180,844</u>	<u>\$ 13,316</u>	<u>\$ 16,295</u>	<u>\$ 514</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ 4,415</u>	<u>\$ 180,844</u>	<u>\$ 13,316</u>	<u>\$ 16,295</u>	<u>\$ 514</u>
Total cash and investment assets - December 31	<u>\$ 4,415</u>	<u>\$ 180,844</u>	<u>\$ 13,316</u>	<u>\$ 16,295</u>	<u>\$ 514</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	4,415	180,844	13,316	16,295	514
Total cash and investment fund balance - December 31	<u>\$ 4,415</u>	<u>\$ 180,844</u>	<u>\$ 13,316</u>	<u>\$ 16,295</u>	<u>\$ 514</u>

TOWN OF BROOKSTON  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Centurytel Grant	Local Law Enforcement Continuing Education	Park	Cumulative Capital Improvement	Development Guide
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	500	-	-	6,134	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	409	-	-	-
Other	-	-	20	-	-
Total receipts	500	409	20	6,134	-
Disbursements:					
General government	-	-	-	-	-
Public safety	-	435	-	-	-
Highways and streets	-	-	-	-	-
Sanitation	-	-	-	-	-
Culture and recreation	-	-	-	14,530	-
Total disbursements	-	435	-	14,530	-
Excess (deficiency) of receipts over (under) disbursements	500	(26)	20	(8,396)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500	(26)	20	(8,396)	-
Cash and investment fund balance - beginning	-	904	3,150	13,434	1,100
Cash and investment fund balance - ending	<u>\$ 500</u>	<u>\$ 878</u>	<u>\$ 3,170</u>	<u>\$ 5,038</u>	<u>\$ 1,100</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	\$ 500	\$ 878	\$ 3,170	\$ 5,038	\$ 1,100
Total cash and investment assets - December 31	<u>\$ 500</u>	<u>\$ 878</u>	<u>\$ 3,170</u>	<u>\$ 5,038</u>	<u>\$ 1,100</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ 3,170	\$ -	\$ -
Other purposes	500	878	-	5,038	1,100
Total cash and investment fund balance - December 31	<u>\$ 500</u>	<u>\$ 878</u>	<u>\$ 3,170</u>	<u>\$ 5,038</u>	<u>\$ 1,100</u>

TOWN OF BROOKSTON  
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
OTHER GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006  
(Continued)

	County Economic Development Income Tax	Levy Excess	Community Van Gift	Planning Grant	Totals
Receipts:					
Taxes	\$ 18,429	\$ -	\$ -	\$ -	\$ 18,429
Intergovernmental	-	-	-	29,700	53,969
Charges for services	-	-	-	-	3,400
Fines and forfeits	-	-	-	-	409
Other	-	-	92	-	2,343
Total receipts	18,429	-	92	29,700	78,550
Disbursements:					
General government	-	335	-	29,700	30,035
Public safety	-	-	-	-	435
Highways and streets	-	-	-	-	20,000
Sanitation	15,000	-	-	-	15,000
Culture and recreation	-	-	-	-	24,530
Total disbursements	15,000	335	-	29,700	90,000
Excess (deficiency) of receipts over (under) disbursements	3,429	(335)	92	-	(11,450)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,429	(335)	92	-	(11,450)
Cash and investment fund balance - beginning	11,482	335	7,353	-	259,876
Cash and investment fund balance - ending	<u>\$ 14,911</u>	<u>\$ -</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ 248,426</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	\$ 14,911	\$ -	\$ 7,445	\$ -	\$ 248,426
Total cash and investment assets - December 31	<u>\$ 14,911</u>	<u>\$ -</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ 248,426</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 3,170
Other purposes	14,911	-	7,445	-	245,256
Total cash and investment fund balance - December 31	<u>\$ 14,911</u>	<u>\$ -</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ 248,426</u>

TOWN OF BROOKSTON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water improvement bonds	\$ 450,000	\$ -
Wastewater Utility		
Wastewater bonds (SRF Loan)	2,076,203	40,203
Total business-type activities long-term debt:	<u>\$ 2,526,203</u>	<u>\$ 40,203</u>



## TOWN OF BROOKSTON AUDIT RESULTS AND COMMENTS

### CAPITAL ASSET RECORDS

Information presented for audit indicates the Utilities and Town do not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts or General Capital Assets accounts. Upon purchase, the costs of the capital assets are added to the City and Town Annual Report for land, buildings, etc.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

### DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

### DELINQUENT ACCOUNTS RECEIVABLE

Ordinance 1987-8 established the shut-off policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance. A similar comment was noted in prior Report B26769.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

### Compliance

We have audited the compliance of the Town of Brookston (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-2.

### Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Town's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are considered to be material weaknesses.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 22, 2007

TOWN OF BROOKSTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12/31/2005	Total Federal Awards Expended 12/31/2006
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants State's Program	14.228	PN-004-011	\$ 20,000	\$ -
		PL-05-012	-	29,700
		CF 04-211	449,976	-
Total for program			469,976	29,700
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Department of Criminal Justice Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-BX-0759	-	270
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	WW0508911	823,882	140,703
Total federal awards expended			\$ 1,293,858	\$ 170,673

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF BROOKSTON  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Brookston (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2005 and 2006. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
Capitalization Grants for Clean Water State Revolving Funds (SRF Loan)	66.458	<u>\$ 1,539,327</u>	<u>\$ 2,076,203</u>

TOWN OF BROOKSTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

FINDING 2006- 1, CAPITAL ASSET RECORDS

The Town and Utilities did not maintain sufficient detailed records of capital assets.

Officials indicate that conducting inventories and maintaining a record of each asset is not a priority.



TOWN OF BROOKSTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Failure to maintain adequate capital asset records could result in material misstatements of the financial condition of the Town and its Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the General Capital Asset Account Group, City and Town Form 211, or properly approved form, as applicable. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that the Town of Brookston implement procedures to record and maintain capital asset records.

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-2, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development  
Pass-through Indiana Department of Commerce  
Federal Program: Community Development Block Grant  
CFDA Number 14.228

Federal Agency: U.S. Department of Environmental Protection  
Pass-through Indiana Department of Environmental Management  
Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number 66.458

The Town of Brookston does not maintain a record of capital assets.

Officials indicate that conducting inventories and maintaining a record of each asset is not a priority.

Requirements for the management of equipment are addressed in 24 CFR 85.32 and 40 CFR 31.32, which both state in part: "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

Failure to follow program requirements of the Grant could delay or forfeit future grant funding.

We recommended the Town of Brookston officials take a physical inventory of Town and Utility property and record them in a capital asset ledger.

TOWN OF BROOKSTON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

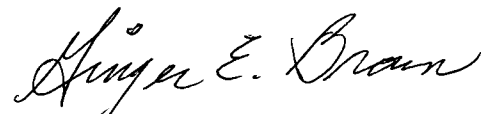
OFFICE OF CLERK-TREASURER  
TOWN OF BROOKSTON, INC.  
205 EAST THIRD STREET  
P.O. BOX 238  
BROOKSTON, INDIANA 47923  
PH. (765) 563-3171

Capitol Asset Corrective Action Plan

Applicable to Section II finding 2006-1 and Section III finding 2006-2

I have been in the process of trying to get capital asset records compiled.

I will work on these records and try to finish it by the end of the year.



Ginger E. Brown  
Clerk-Treasurer

5-22-07

TOWN OF BROOKSTON  
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2007, with Ginger E. Brown, Clerk-Treasurer; and Joseph E. Butz, President of the Town Council. The officials concurred with our audit findings.